

Message Text

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ACTION EUR-25

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USCINCEUR VAIHINGEN GER

AMEMBASSY PARIS

NSE/NSSG BRUSSELS

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 2002

E.O. 11652: GDS: 12-31-80

TAGS: NATO, XG, ETRN

SUBJECT: REPORT OF CENTRAL EUROPE PIPELINE POLICY COMMITTEE (CEPPC)
MEETING OF 8-9 APR 74

DEFENSE FOR OASD/I&L, MR. NOLAN AND COMPT, MR. UMBARGER; STATE FOR
EUR/RPM, MR. REHFELD; JCS FOR J-4 PETROLEUM; USCINCEUR FOR J-4
JPO; AMEMB PARIS FOR MR. HUMPHREYS; NSE/NSSG FOR MR. MINER.

REF: A. USNATO 0925

B. STATE 40535

C. STATE 058899

BEGIN SUMMARY. CEPPC APRIL MEETING REVIEWED PROGRESS ON RESOLUTION
OF CENTRAL EUROPE PIPELINE SYSTEM (CEPS) FINANCIAL PROBLEMS IN
AREAS OF: MILITARY AND CIVIL TARRIF INCREASES, TAXATION OF CEPS
OPERATIONS; CEPS MANNING LEVELS, GUARDING CRITERIAL ADHERENCE,
AND REHABILITATION/RESTORATION PROJECTS. US STATEMENT MADE IN
RESTRICTED SESSION NOT TO NOMINATE CANDIDATE AT THIS TIME FOR
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GENERAL MANAGER CLEARED WAY FOR EARLY RESOLUTION OF PROBLEM.
END SUMMARY.

COMMENTS ON AGENDA ITEMS FOLLOW:

I. APPROVAL OF AGENDA (AC120-A/202)

COMMITTEE APPROVED THE AGENDA WITH THREE ADDITIONAL ITEMS UNDER "ANY OTHER BUSINESS":

(A) STATEMENT BY CHAIRMAN ON THE PROGRESS OF THE THREE RAPORTEURS REVIEWING THE SPECIAL REPORT ON TRAPIL BY THE NATO BOARD OF AUDITORS;

(B) STATEMENT BY CEOA ON 1973 FINANCIAL SITUATION;

(C) REPLACEMENT FOR THE GENERAL MANAGER, CEOA--RESTRICTED SESSION.

II. APPROVAL OF SUMMARY RECORDS (AC/120-R/199; AC/120-R/200)

COMMITTEE APPROVED BOTH RECORDS AFTER MAKING A NUMBER OF MINOR CORRECTIONS WHICH WILL APPEAR IN CORRIGENDA.

III. FINANCIAL PROBLEMS TO BE STUDIED BY CEPPC

(A) INCREASE OF MILITARY TARIFFS

GENERAL MANAGER REMINDED COMMITTEE THAT MILITARY TARIFF INCREASES HAD BEEN APPROVED EFFECTIVE 1 JAN 74 WHICH RESULTED IN A 15 PERCENT INCREASE OF MOVEMENT TARIFFS AND A STORAGE TARIFF INCREASE FROM 2.50 TO 2.75 CEPT UNITS. ALL NATIONS EXCEPT FRANCE AGREED TO A FURTHER INCREASE IN STORAGE TARRIFFS TO 3.0 CEPS UNITS EFFECTIVE 1 JAN 74. FRENCH REP (GENTILHOMME) STATED THAT HE FELT THAT HIS AUTHORITIES WOULD AGREE TO THE FURTHER INCREASE BUT COULD NOT PREDICT THE EFFECTIVE DATE. THE COMMITTEE NOW AWAITS A FAVORABLE RESPONSE FROM FRANCE. GEN MANAGER STATED THAT CEOA DID NOT FORESEE, AT THIS TIME, FURTHER INCREASES IN MILITARY TARIFFS FOR 1974.

(B) INCREASE OF CIVIL TARIFFS
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CEOA REVIEWED CIVIL TARIFF SITUATION (REPORTED REF A). IN ACCORDANCE WITH REF B, US CONFIRMED APPROVAL OF CIVIL CONTRACT COVERING LAVERA-STRASBOURG LINE FOR REMAINDER OF 1974 WITH REQUEST THAT CEOA PROVIDE ESTIMATE OF INCREASED OPERATIONAL COSTS OF LINE. GEN MANAGER REPORTED THAT CEOA'S INITIAL ESTIMATE (NOW BEING CHECKED WITH FRENCH) INDICATES RISING FUEL COSTS ON LINE COULD OVERTAKE REVENUES EVEN WITH RECENT INCREASES IN CIVIL TARRIFF. THEREFORE, CEOA WILL ASK FRANCE, WHEN REVIEWING CONTRACT WITH CIVIL OIL COMPANIES FOR USE OF LINE, TO PURSUE FURTHER TARIFF INCREASES (CONTRACTS ARE RENEWED EVERY FOUR MONTHS; 1 MAY IS NEXT RENEWAL DATE).

FRENCH COMPLETED NEGOTIATIONS (REPORTED REF A) FOR AN

INCREASE (FROM 3.65 TO 4.50 FF PER TON) IN THE CIVIL TARIFF ON THE LE HAVRE-VALENCIENNES LINE EFFECTIVE 1 FEB 74. CONTRACT DID NOT CALL FOR NEW TARIFF NEGOTIATIONS UNTIL 15 MILLION TONS HAD BEEN TRANSPORTED. ALTHOUGH THIS LEVEL HAD NOT BEEN REACHED, GEN MANAGER REPORTED THAT FRENCH ACTED TO COVER INCREASED COSTS FOR CARRYING OUT MOVEMENTS AT CURRENT OIL PRICES. FRENCH REP ALSO REMARKED THAT IN LAST TWO WEEKS FRENCH DIVISIONS REPORTED A REDUCTION IN CIVIL USER TRAFFIC ON SOME OF THE FRENCH LINES.

NEGOTIATIONS ARE STILL CONTINUING FOR CIVIL TARIFF INCREASES IN BELGIUM, NETHERLANDS AND GERMANY. BELGIAN REP (LTC MINE) MADE A STATEMENT ON THE POLITICAL PROBLEM NOW EXISTING IN HIS COURT CONCERNING LABOR UNION RESENTMENT TO MOVING CIVIL PRODUCTS THROUGH THE CEOPS INTO GERMANY INSTEAD OF BY SURFACE MEANS. GERMAN REP (DR. THOLEN) STATED THAT THEY ARE ENCOUNTERING DIFFICULTIES WITH ESSO-AG AND ARAL CONCERNING PROPOSED TARIFF INCREASES FOR CIVIL MOVEMENTS. ESSO IS ASKING FOR A DECREASE IN TARIFF RATES OVER 1973 RATES.

US REP (WITKO) ASKED CEOA FOR A COMPARISON BETWEEN COST INCREASES AND EXPECTED CIVIL TARIFF REVENUE INCREASES THROUGHOUT CEPS. GEN MANAGER STATED THAT SUCH COMPARISON WAS VERY DIFFICULT TO PREPARE SINCE MANY FACTORS ARE INVOLVED AND CEOA DOES NOT HAVE ALL PERTINENT DATA. HOWEVER, HE HAD PREPARED A DRAFT COST ANALYSIS FOR THE LE HAVRE-VALENCIENNES OPERATION (IN RESPONSE TO EARLIER US REQUEST) WHICH HE WILL PUBLISH AFTER TAKING INTO ACCOUNT THE COMMENTS NOW BEING SOUGHT, OF THE FRENCH
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AUTHORITIES.

(C) TAXATION OF CEPS OPERATIONS

RAPPORTEUR (DUPONT) STATED THAT HE HAD NOT RECEIVED A REPLY FROM THE FRENCH BUT WAS PREPARED TO SUBMIT REPORT TO COMMITTEE WITHOUT IT. FRENCH REP STATED THAT DEATH OF THEIR PRESIDENT HAD FURTHER DELAYED REPLY BUT THAT HE HOPED TO HAVE IT IN THE NEAR FUTURE. COMMITTEE AGREED THAT REPORT WOULD BE MORE MEANINGFUL IF IT INCLUDED FRENCH COMMENTS, SOME OF WHICH WOULD INDICATE THEIR AGREEMENT TO EXEMPTION PROPOSALS. THEREFORE, THE COMMITTEE INVITED FRANCE TO MAKE AN EARLY REPLY AND DEFERRED FINAL ACTION UNTIL MAY MEETING.

(D) ESTABLISHMENTS IN THE CEPS, CRITERIA AND

(E) GUARDING OF CEPS INSTRUCTIONS.

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GERMANY INFORMED COMMITTEE OF A RECENTLY PREPARED PAPER SENT TO CEOA WHICH CONTAINS DETAILED JUSTIFICATION FOR THE "UNACCOUNTED FOR" 19 POSITIONS IN GERMAN PIPELINE ORGANIZATION. FRENCH HAVE ALSO SUBMITTED LETTER TO CEOA ON THEIR MANNING POSITIONS WHICH ARE IN QUESTION. CEOA HAS NOT RECEIVED EITHER DOCUMENT TO DATE. GEN MANAGER ADVISED THAT THE CEOP WORKING GROUP ON CEPS ESTABLISHMENT WILL STUDY CEOA MANNING ON 18/19 APR. COMMITTEE EXPRESSED CONCERN OVER LACK OF PROGRESS ON THIS PROBLEM AND ASKED THE RESPECTIVE NATIONS INVOLVED TO REVIEW SITUATION AND SEE IF THEY CANNOT BRING THEIR MANNING LEVELS IN LINE WITH CEPS CRITERIA.

(F) REHABILITATION/ RESTORATION PROJECTS

CEOA REPORTED THAT THEY WERE AWAITING A REPLY FROM NAMSA ON A MOU FOR PROCUREMENT OF THE FIRST 15 ENGINES TO REPLACE WORN-OUT ADN ENGINES. CEOA IS IN THE PROCESS OF DEVELOPING TECHNICAL SPECIFICATIONS IN COOPERATION WITH NAMSA, HOST NATIONS AND NATO INFRASTRUCTURE EXPERTS. A COMPREHENSIVE PROGRAM FOR REPLACEMENT OF ALL WORN-OUT ADN ENGINES IS TO BE PRESENTED TO CEPO MEETING
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IN EARLY MAY.

IV. ANNUAL REPORT TO THE NATO PIPELINE COMMITTEE FOR 1972.

COMMITTEE RECORDED THEIR PREVIOUS APPROVAL OF THE REPORT.

V. ANY OTHER BUSINESS

(A) CHAIRMAN ADVISED THAT RAPPORTEUR'S REVIEW OF THE NATO BOARD OF AUDITORS' SPECIAL REPORT IS IN DRAFT FORM AND WILL BE

SUBMITTED TO NATIONAL REPRESENTATIVES PRIOR TO THE JUNE CEPPC MEETING. COMMITTEE SHIFTED JUNE MEETING DATES TO 19-21 TO ACCOMMODATE CONFLICTS WITH OTHER BUSINESS.

(B) THE GENERAL MANAGER REPORTED FINAL CEPS NET DEFICIT FOR 1973 WAS 32.2 MILLION FF WHICH EQUATES TO 26 PERCENT OF TOTAL EXPENSES. CONCERNING FIRST CALL IN 1974 FOR CONTRIBUTIONS, CEOA ESTIMATES CEPS WILL RUN OUT OF OPERATING FUNDS BY 31 MAY AND WILL NEED TO ISSUE SECOND CALL FOR CONTRIBUTIONS. EARLIER THAN USUAL, SECOND CALL FOR CONTRIBUTIONS IS NECESSITATED BY US POSITION (DETAILED IN REF A), WHICH DECLARES THAT US IS NOT IN A POSITION TO AGREE TO CEPS CONTRIBUTIONS UNTIL DECISION IS REACHED ON CEPS AND BURDENSARING.

(C) RESTRICTED SESSION: FUTURE COURSE OF ACTION TO SEEK REPLACEMENT OF THE GENERAL MANAGER, CEOA.

IN CLOSED SESSION, US MADE STATEMENT IN ACCORDANCE WITH GUIDANCE IN REF C CONCERNING US DECISION NOT TO SUBMIT CANDIDATE FOR POSITION OF GEN MANAGER OF CEOA AT THIS TIME. STATEMENT POINTED OUT THAT SUCH ACTION SHOULD NOT BE CONSTRUED AS REINTRODUCING SO-CALLED "GENTLEMEN'S AGREEMENT". STATEMENT ALSO EXPRESSED US ADHERENCE TO CEPPC PRINCIPLE THAT ALL CEOA POSTS ARE OPEN TO ALL CEPS NATIONS. GERMAN REP STATED THAT, IN VIEW OF US STATEMENT, GERMANY WOULD NOT BE MAKING A NOMINATION FOR GEN MANAGER POSITION. NEXT STEP IS FOR BELGIUM TO OFFER A WELL-QUALIFIED CANDIDATE.

VI. DATE AND PLACE OF NEXT MEETING. 28-29 MAY IN BRUSSELS.
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